

Kintara (NASDAQ/KTRA)

May 16, 2022

Lowering to Neutral As the Cash Balance is Tight

Kintara reported fiscal 3Q22 results. The company spent \$5.5M in the qtr, raised capital (\$8.8M), and closed the period with basically the amount the company raised (\$8.8M). The stock, following the raise, has fallen to \$0.19 cents and we are concerned that the company will now need to raise capital again, at this depressed valuation. As a result, we are lowering our rating from Buy to Neutral and removing our price target until we have greater clarity around the company's strategy to manage its capital needs.

Jason H. Kolbert
Managing Director & Senior Analyst
jkolbert@dawsonjames.com

Investment Highlights

The Global Coalition for Adaptive Research, or GCAR Adaptive (n=800) Patient Study. The study plans to enroll 150-200 patients in each of three arms, so with control, this is an 800-plus patient study: three arms, three sponsors, plus control. Each company will evaluate its respective therapeutic, but only VAL-083 will be evaluated in three active arms. Futility will be evaluated at n=50, 100, and 150 patients, and efficacy will be evaluated at n=100 and 150 patients before the adaptive design transitions to the pivotal phase. As of January 10, 2022, GCAR has activated 31 sites (US & Canada) and screened over 1,000 patients.

VAL-083 - The Trifecta. Kintara's VAL-083 is the only compound in the study that is going to be evaluated in all three major cancer types: 1. newly diagnosed unmethylated (NDUM), 2. recurrent GBM, and 3. newly diagnosed methylated MGMT (the first compound under evaluation for this cancer).

What is GCAR? The Global Coalition for Adaptive Research (GCAR) is a non-profit organization uniting physicians, clinical researchers, advocacy and philanthropic organizations, pharmaceutical companies, academia, and regulatory authorities to expedite the discovery and development of treatments for patients with rare and deadly diseases. In this case, GCAR has turned its vast resources on Brain Cancers - GBM. Key strategic partners for the GBM AGILE trial effort include the National Brain Tumor Society, National Foundation for Cancer Research, and Asian Fund for Cancer Research. Most importantly, the study design of GBM AGILE has been vetted by the U.S. FDA, and any data generated from the study will be used by Kintara to support a New Drug Application (NDA) for VAL-083.

Valuation. Our valuation is driven by our revenue projections for VAL-083 (GBM) and REM-001 for CMBC. For both indications, we apply a risk cut in our model (50%), which flows into our income statement. We model both products out to 2030. Our model does assume some dilution, however, we have had to adjust for the current raise and future raises. Based on the revised projected, fully diluted 2030 share count our target valuation drops from \$3.0 to the \$1.00 range. As our rating is now revised from But to Neutral, we suspend our price target.

Risk Factors: Investment Risk, Market Share Risk, Regulatory Risk, Commercial Risk, and Financial Risk

Current Price	\$0.19
Price Target	NA

VAL-083: FDA Approved Expedited Development and Registration Pathway

- Collaboration with the Global Coalition for Adaptive Research (GCAR)
 - Founded in 2017 by world's foremost clinical, translational, basic science investigators, and health authorities
 - Sponsor of innovative and complex platform trials utilizing adaptive design
 - Prior success via I-GPT with similar design for breast cancer
- GBM Adaptive Global Innovative Learning Environment (AGILE) Study
 - International effort in newly-diagnosed and recurrent glioblastoma
 - Master Protocol with three experimental arms versus a common control
 - Primary endpoint: overall survival
 - "Seamless" transition to Stage 2, with Stage 1 patients included in final analysis
- 150 to 200 Patients Maximum Stratified by Three Subtypes
 - Newly-diagnosed unmethylated
 - Newly-diagnosed unmethylated*
 - Recurrent†

*Comparable to MDACC Phase 2 H19 – adjuvant cohort
†Comparable to MDACC Phase 2 H19 – recurrent cohort

Timeline: Jan 2021 (First site initiated for VAL-083 treatment arm), May 2021 (15 sites active for VAL-083 treatment arm), Aug 2021 (26 sites active for VAL-083 treatment arm), Q3 2022 (Graduate to Stage 2 (projected)), TBD (Top Line Results (Timing dependent on signatures) (graduated))

Source: Kintara			
Stock Data			
52-Week Range	\$0.14	-	\$2.85
Shares Outstanding (mil.)	65.5		
Market Capitalization (mil.)	\$12		
Enterprise Value (mil.)	\$4		
Debt to Capital	0%		
Book Value/Share	\$0.11		
Price/Book	2		
Average Three Months Trading Volume (K)	337		
Insider Ownership	13.0%		
Institutional Ownership	5.8%		
Short interest (mil.)	2.0%		
Dividend / Yield	\$0.00/0.0%		



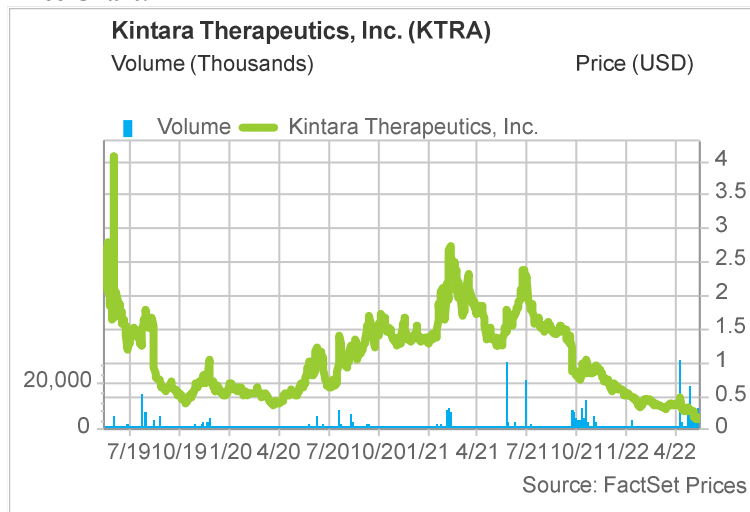
Exhibit 1. Income Statement

Kintara Pharmaceuticals Inc. (KTRA): Income Statement ('000)	6. 2018 YE	6. 2019 A	6. 2020A	6. 2021 YE	1Q22A	2Q22A	3Q22A	4Q22E	6. 2022 YE	6. 2023 YE	6. 2024 YE	6. 2025 YE	6. 2026 YE	6. 2027 YE	6. 2028 YE	6. 2029 YE	6. 2030 YE
FYE-Jun 30	6.2018	6.2019 A	6.2020A	6.2021	3Q21A	4Q21A	1Q22A	2Q22E	6.2022	6.2023	6.2024	6.2025	6.2026	6.2027	6.2028	6.2029	6.2030
Revenue (\$000)																	
REM-001									0	11,697	41,390	59,779	66,481	73,323	86,485	93,683	101,029
VAL-083 U.S.									0	0	24,300	98,173	173,521	250,367	278,157	286,047	174,119
VAL-083 ROW									7,944	25,235	66,047	117,607	136,642	149,446	165,366	178,170	
License Fees and Royalties (China sales)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Product Sales	-	-	-	-	-	-	-	-	-	19,641	90,925	223,999	357,609	460,331	514,089	545,096	453,318
Total Revenue	-	-	-	-	-	-	-	-	-	19,641	90,925	223,999	357,609	460,331	514,089	545,096	453,318
Expenses																	
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	1,964	9,092	22,400	35,761	46,033	51,409	54,510	45,332
COGS % of revenue				10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Sales, General and administrative expenses	4,042	4,736	4,515	8,467	2,178	1,993	1,884	1,300	5,000	5,050	10,000	10,100	10,201	10,303	10,406	10,510	10,615
SG&A % of revenue																	
Research and Development	7,133	3,662	4,684	12,895	3,793	3,902	3,474	1,820	7,000	9,000	12,000	12,120	12,241	12,364	12,487	12,612	12,738
R&D % of revenue																	
Non-GAAP, Adj				16594													
Total expenses	11,175	8,398	9,198	37,956	5,971	5,895	5,358	3,120	20,344	16,014	25,938	41,962	55,519	65,989	71,564	74,866	65,892
Oper. Inc. (Loss)	(11,175)	(8,398)	(9,198)	(37,956)	(5,971)	(5,895)	(5,358)	(3,120)	(20,344)	3,627	64,986	182,037	302,090	394,343	442,525	470,230	387,426
Change in fair value of derivative liability	60	(434)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivative liability due to change in warrant terms		126															
Issuance of shares to Valent																	
Loss on exchange of warrants																	
Foreign exchange gain	(57)	18	3	5	4	2	2		8	-	-	-	-	-	-	-	-
Interest expense			(75)	50	1				1	-	-	-	-	-	-	-	-
Interest income	33	(61)	-	16					-	-	-	-	-	-	-	-	-
Total non-operating income	36	(350)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(11,138)	(8,048)	(9,126)	(38,012)	(5,966)	(5,893)	(5,356)	(3,120)	(20,335)	3,628	64,989	182,040	302,093	394,346	442,528	470,233	387,429
Income Tax Benefit (Provision)					(2,464)	(2)	(2)	(156)	(2,624)	363	9,098	32,767	66,461	90,700	106,207	117,558	100,732
Tax Rate					5%	5%	5%	5%	13%	10%	14%	18%	22%	23%	24%	25%	26%
GAAP Net Income (loss)	(11,281)	(8,048)	(9,126)	(38,012)	(8,430)	(5,895)	(5,358)	(2,964)	(22,647)	3,265	55,891	149,273	235,633	303,647	336,321	352,675	286,698
Preferred stock dividend	176.24	80.43	8.62	730													
Net and comprehensive loss available to common stockholders	(11,315)	(9,178)	(9,135)	(38,012)	(8,430)	(5,895)	(5,358)	(2,964)	(22,647)	3,265	55,891	149,273	235,633	303,647	336,321	352,675	286,698
GAAP-EPS	(0.55)	(1.28)	(0.87)	(1.85)	(0.25)	(0.12)	(0.11)	(0.03)	(0.51)	0.03	0.56	1.48	2.32	2.98	3.29	3.43	2.78
Non GAAP EPS (dil)	(0.55)	(0.87)	(0.87)	(1.85)	(0.25)	(0.08)	(0.07)	(0.02)	(0.42)	0.02	0.35	0.90	1.36	1.68	1.79	1.81	1.41
Wgtd Avg Shrs (Bas) - '000s	20,861	2,575	10,444	32,297	34,281	48,529	49,128	100,000	57,985	100,250	100,652	101,055	101,460	101,866	102,274	102,684	103,095
Wgtd Avg Shrs (Dil) - '000s	20,861	2,575	10,444	32,297	34,281	72,794	73,692	150,000	82,692	153,788	160,032	166,530	173,292	180,328	187,650	195,270	203,198

Source: Dawson James

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Update – February 14, 2020 – Buy \$4.00
- Update – March 5, 2020 – Buy \$4.00
- Update – May 5, 2020 – Buy \$4.00
- Update – May 13, 2020 – Buy \$4.00
- Update – June 4, 2020 – Buy \$4.00
- Update – June 10, 2020 – Buy \$4.00
- Update – June 23, 2020 – Buy \$4.00
- Update – June 24, 2020 – Buy \$4.00
- Update – July 30, 2020 – Buy \$4.00
- Update – September 9, 2020 – Buy \$4.00
- Update – November 23, 2020 – Buy \$4.00
- Update – January 11, 2021 – Buy \$4.00
- Update – January 21, 2021 – Buy \$4.00
- Update – February 1, 2021 – Buy \$4.00
- Update – February 25, 2021 – Buy \$5.00
- Update – April 14, 2021 – Buy \$5.00
- Update – May 18, 2021 – Buy \$5.00
- Update – May 26, 2021 – Buy \$5.00
- Update – July 1, 2021 – Buy \$5.00
- Update – August 17, 2021 – Buy \$5.00
- Update – September 22, 2021 – Buy \$5.00
- Update – December 2, 2021 – Buy \$5.00
- Update – January 19, 2022 – Buy \$5.00
- Update – February 14, 2022 – Buy \$5.00
- Update – March 18, 2022 – Buy \$5.00
- Price Target Change – April 12, 2022 – Buy \$3.00
- Rating Change – Buy to Neutral May 16, 2022 – NA

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 16-May-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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